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"PROVINCIAL-MUNICIPAL REVENUE, EXPENDITURE AND TAX-STRUCTURE"

The Submission of the

ONTARIO DIVISION

THE CANADIAN MANUFACTURERS' ASSOCIATION

to

THE ONTARIO COMMITTEE ON TAXATION

November 12, 1963.

The Canadian Manufacturers' Association

67 YONGE STREET, TORONTO 1, ONTARIO

November 12, 1963.

The Chairman and Members,
The Ontario Committee on Taxation,
88 University Avenue,
Toronto 1, Ontario.

Gentlemen:

The Ontario Division of The Canadian Manufacturers' Association appreciates the invitation extended by your Committee to submit its observations in respect of the tax and revenue structure of the Province and of its municipalities.

The Canadian Manufacturers' Association is a non-profit organization of manufacturers with a membership of 6,200 extending from Newfoundland to British Columbia and has been in continuous operation for 92 years. Its purpose is to expand the economy of Canada through manufacturing and in so doing to promote employment and a high standard of living.

The Association's Ontario Division, established in 1919, comprises some 3,100 members located in this Province. It is on their behalf that this submission is made.

May we, at the outset, make the observation that the Government of Ontario lays great stress on the importance of manufacturing to the economy and to employment. It should be fundamental to this precept that the burden of taxation on industry is not unduly heavy but is equitable in relation to the burden on others. Your Committee, we feel certain, also appreciates the importance of manufacturing to Ontario, not only as a source of employment, (it being estimated that the Association's members employ over half a million of the Province's citizens), but as a major contributor to production and as a source of provincial and municipal revenues. Your Committee can readily ascertain the proportion of provincial and municipal revenues derived from manufacturing but may also bear in mind that a very considerable proportion of the federal government's grants to the Province come from manufacturers' contributions

to federal revenues in the form of Income Tax, Sales Tax, Excise Tax and customs duties.

The Association notes with interest that provincial and municipal revenues and expenditures for the fiscal year ended 31st March, 1963, were in the order of $1.8 billion.

Our interest lies in the extent to which the revenues to provide for such expenditures are derived from taxes on industry and thus form part of the cost of manufacturing. We suggest this is a field that might be examined profitably by your Committee. One of the greatest areas of concern to manufacturers is the rising burden of taxation on themselves which seriously affects their competitive position in domestic and export markets. In a free market economy, Ontario manufacturers must compete with goods from lower-cost jurisdictions in Canada and from low-cost foreign countries, as well as sell in world markets a considerable proportion of their manufactured and semi-processed goods. The burden of provincial and municipal taxation cannot be avoided in its application to that portion of sales to foreign markets.

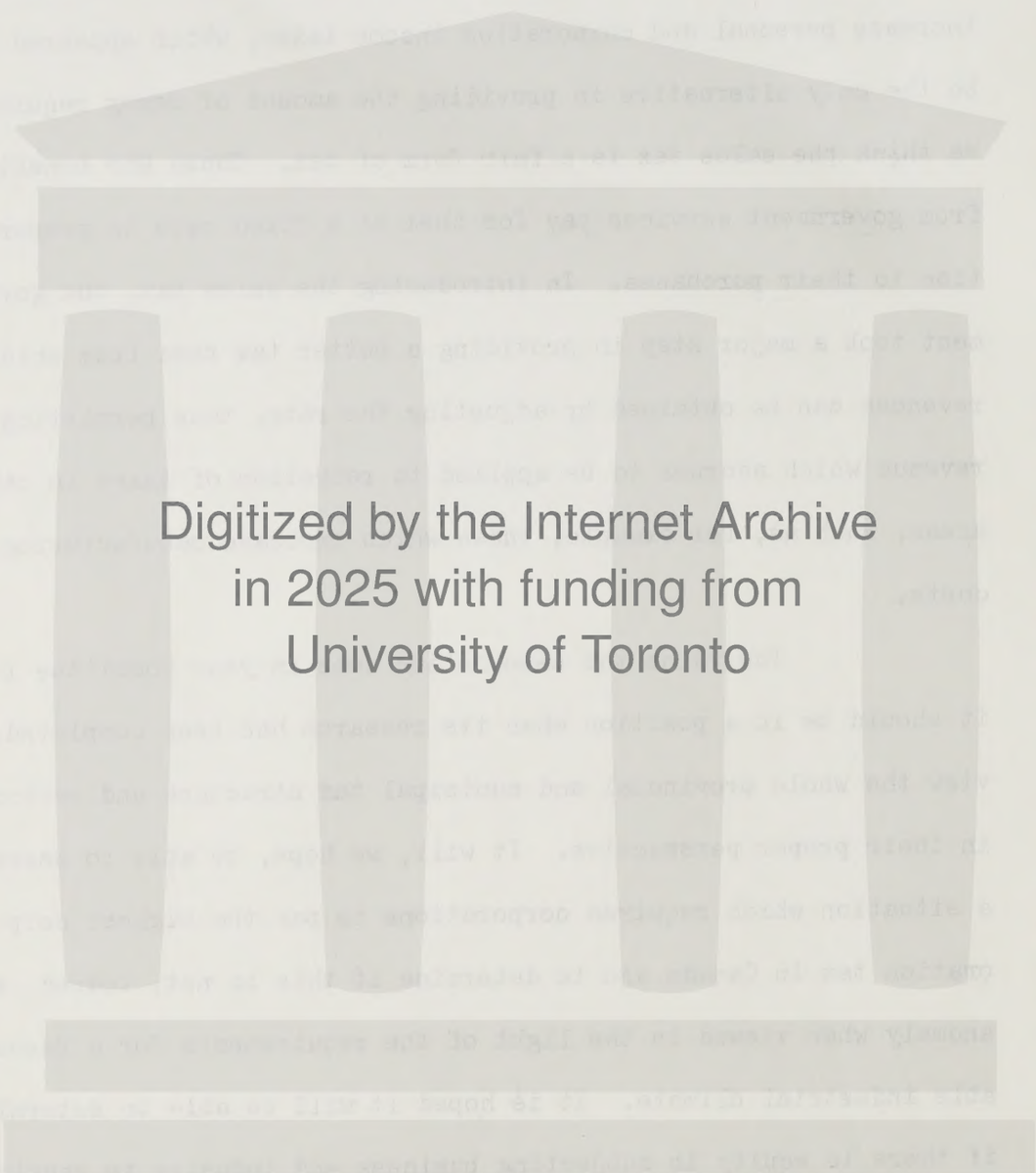
Your Committee is familiar with the assertion that increased taxes are of little consequence to the manufacturing industry because they are passed on to consumers in the price of goods. This has an element of truth, but we are sure your Committee will agree that this specious argument has no validity. It cannot be too strongly emphasized that every such increase in the price of goods makes competition in foreign markets or with foreign goods more difficult. Inability to compete means unemployment.

Governments, and Ontario is no exception, like to maintain that their efforts are directed towards developing a climate favourable to industry. As a general statement there is little doubt that they mean what they say. Much of this climate, however, is of an environmental nature designed to make a province a good place to live in rather than one where factors that make for economical industrial growth are present. For example, Ontario's highway system is second to none. Its health and welfare services are of a high

order and its educational system is rapidly improving. All this has to be paid for. The question in our minds is whether or not it is paid for equitably by those who benefit. In our view, too heavy a burden is placed on industry and commerce because these segments of the provincial economy provide a certain and easily-accessible source of revenue.

The Association was gratified at the decision taken some two years ago to introduce a retail sales tax rather than to increase personal and corporation income taxes, which appeared to be the only alternative in providing the amount of money required. We think the sales tax is a fair form of tax. Those who benefit from government services pay for them at a fixed rate in proportion to their purchases. In introducing the sales tax, the government took a major step in providing a better tax base from which revenues can be obtained by adjusting the rate, thus permitting revenue which accrues to be applied to reduction of taxes in other areas, such as, for example, those which increase manufacturing costs.

The value the Association sees in your Committee is that it should be in a position when its research has been completed, to view the whole provincial and municipal tax structure and revenues in their proper perspective. It will, we hope, be able to assess a situation which requires corporations to pay the highest corporation tax in Canada and to determine if this is not, indeed, an anomaly when viewed in the light of the requirements for a favourable industrial climate. It is hoped it will be able to determine if there is equity in subjecting business and industry to considerable variation in mill rates on property taxes compared to residential and farm taxpayers, through the provisos attached to the Unconditional Grants and School Tax Assistance Grants made available by the Province to municipalities. Further, it can judge whether, in the light of the importance of manufacturing to the economy, it should be subjected to a further business tax of 60% for most manufacturers, but for certain manufacturers as high as 75% and



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150%, as a surcharge on property taxes.

The Association suggests the foregoing areas of investigation by your Committee, not because it believes manufacturers should not pay their fair share of taxes but because the importance of the manufacturing industry as a source of employment, as a desirable medium for investment, and as a means of increasing the gross provincial product, warrants the view it takes that taxes bearing on the cost of production should be more equitably distributed than is now the case.

Our more detailed observations and suggestions in respect of the taxation areas referred to above are as follows:

THE CORPORATIONS TAX ACT

(a) Rate of Tax

At the present time, corporations carrying on business in the Province of Ontario are taxed at the rate of 11% on profits earned in the Province of Ontario. Of this 11%, only 9 percentage points are deductible from the federal income tax paid by corporations. As a consequence, the total corporation income taxes (Federal and Ontario) are 23% on the first $35,000 and 52% on the excess over $35,000 in respect to profits earned in the Province of Ontario.

It is submitted that the 11% Ontario corporation tax should be reduced to 9% so that corporations would not be required to pay greater total corporation income taxes than the federal rates of 21% on the first $35,000 of profits and 50% on the excess. This is the situation in the majority of provinces. A reduction on the top total tax rate to 50% would improve the competitive position of Ontario manufacturers in both the export and domestic markets and make Ontario more attractive for new industrial investment.

(b) Federal Collection of Ontario Corporations' Taxes

In the interest of economy and to avoid duplication of tax returns, it is recommended that the Province of Ontario accept the federal offer to collect corporation taxes on behalf

of the province. It will be recalled that the federal government made such an offer to all the provinces to collect on their behalf without cost to them, their income and corporation taxes. This offer still stands. All the provinces except Ontario and Quebec accepted. It is submitted that it would be in the interest both of the province and of the taxpayers, if the Province of Ontario also made arrangements with the federal government for federal collection of the corporation tax. The saving of administration costs to the Ontario Government would be considerable and Ontario taxpayers would be relieved of the unnecessary duplication of effort and expense in making returns to two or more jurisdications.

In recent years, the Ontario Corporations Tax Act by annual amendment, has been kept in substantial uniformity with the federal Income Tax Act. The Association feels that this policy is most desirable to avoid the confusion and difficulties which would otherwise result and which formerly prevailed. It strongly urges that this policy of keeping the Ontario Corporations Tax Act uniform with the federal Income Tax Act be continued. Upon the assumption that this policy will remain unchanged, the Association submits no recommendations, other than the foregoing, regarding the detailed provisions of the Corporations Tax Act.

In addition to the above recommendation, we hope that the Committee would agree that it would also be worthwhile to examine the multiplicity of collection agencies within the Ontario Government itself and in its related boards and agencies.

We have no recommendation to make on this matter, but suggest that this may be an appropriate time to determine if it would be possible to reduce administration expense by consolidating the collection arrangements for these various programmes without detracting from any essential

enrollment or assessment arrangements.

MUNICIPAL SECTION

Our members, as manufacturers, are interested in both the dollar amount of taxation and the efficiency and equity in raising revenues and making expenditures. We hope that local governments will always use sound business principles but we realize that their decisions (and our studies) are complicated by a number of factors not usually found in the business world. Thus, municipal expenditures are:-

(a) Generally made in fields not subject to short run economic conditions.

(b) Subject to an increasing degree of inflexibility arising from the mandatory requirement to supply funds for certain services.

(c) Frequently influenced by the financial assistance available in the form of grants from the province.

Still another problem to face is the fact that the substantial financial grants to municipalities from the province tend to generate a resistance to any reallocation of responsibilities for revenues and expenditures at both municipal and provincial levels.

Therefore, our recommendations in the following parts of our brief dealing with municipal tax matters are tempered by a desire to afford local governments a degree of flexibility in their budgets, and to reduce the influence of provincial grants.

Many of our suggestions, particularly those dealing with the reallocation of tax raising and spending responsibilities, are made largely with the idea that they will stimulate the research so essential for the proper evaluation of their impact.

1. Function of Governments - Revenues and Expenditures

Historically, the function of both federal and provincial governments is to provide service to people, while the function of municipal governments is to provide service to property.

We admit that there are many grey areas in determining

whether a particular service is to people or to property and that notwithstanding the usual division of responsibility, many services to people can be administered better at the municipal level. However, we are also aware that through tradition some services to people are carried out at the municipal level even though this is not always economical.

Nevertheless, as a general premise, we submit that the revenue necessary to perform a service should be raised by the level of government whose responsibility it is to provide the basic function, because that level should be able to raise the revenue in the most efficient, direct and equitable manner. At the same time, we submit that the expenditures for the service should be made by the level of government which can administer them most efficiently and economically. We suggest that the level raising the revenue is, frequently, not the best level for making the expenditures. We do not wish to imply criticism of any level of government, but to emphasize that affinity between local government and the citizens of the community usually means a more realistic approach to the problem of providing some of the services to people.

In effect, we are suggesting a realignment of revenue-raising responsibilities so that each level of government assumes 100% of the cost of the services allocated to its level, even though the expenditure may be made (under proper controls) by another level of government. In line with this general premise, we would suggest that roads (other than local traffic streets) should be financed wholly at the provincial and federal levels but administered jointly by the provincial and municipal levels. Recreation in its broad sense, welfare and health costs should be borne by the provincial and federal levels but administered by the municipality.

On the other hand, local streets, water and sewer service, police and fire protection, garbage and refuse removal, sidewalks, drainage and electrical energy should be paid for

and administered at the municipal level.

Due to its magnitude, complexity and tradition, education is in a somewhat different category. Almost 50% of all expenditures made at the municipal level are for education. Over $300,000,000 in revenue for education is raised in the form of property and business taxes. We suggest that it would be an impossible task, at present, for the province to find $300,000,000 in new revenue in order to assume all education costs.

Even if the province could find the additional revenue, we would question the wisdom of removing elementary and secondary education from under the administration of local school boards. Education is, perhaps, the most important function performed at the local level. To transfer it to the more impersonal provincial level would tend to further reduce the citizen's interest in both education and school boards.

Therefore, our recommendation regarding education envisages the continuation of the dual source of revenue, with expenditures by the local school board.

We would like to sound a note of warning at this point. As a result of more students, higher standards and the new employment challenges of automation, Ontario is faced with staggering annual increases in capital and operating costs for education. Every care must be taken to ensure that adequate education does not create such costs as will inhibit the progress that education is intended to achieve. We deplore the rising tendency to regard any expenditure in connection with education as being necessary because of the general desire to solve the basic problem.

<u>Recommendations</u>

(a) All services to property and people with the exception of education, should be financed by the level of government charged with the basic function and the funds expended by the level that can administer them

most efficiently and effectively. The transfer of these responsibilities should take place gradually over the next five years.

(b) In respect of education, we make the following suggestions:

(i) The province should assume the existing and future capital costs of education, based on essential economic standards and functional requirements. Any additional facilities required for local curriculum differences would be the responsibility of the local school board. Any facilities for community purposes would be the responsibility of the local municipal government. We would expect the province to reduce its operating grants by the amount of the assumed capital costs.

(ii) The province should continue to assist the local school boards with their operating costs. We believe that all such assistance should be condensed into a single blanket grant. The grant should be based on the ratio of equalized assessment to pupil in both elementary and secondary schools in urban areas. In rural and semi-urban areas the same schedule of grants should be used except that the province should assume 100% of the approved cost of the transportation of pupils to and from school.

Our comments on the education aspect of this problem reflect the fact that we lack the facilities for examining it in detail and the difficulty we have experienced in finding statistical information of a province-wide nature. We are, though, confident that the research staff of your Committee will be able to assemble the necessary data to properly evaluate our suggestions and recommendations.

2. Improving the Basis of Municipal Taxation

The backbone of municipal revenue is the real property assessment and its partner the business assessment. Local governments derive over 70% of their total revenue from them. We feel that the property tax should continue to be the principal source of revenue for municipalities. Therefore we believe the taxpayer is entitled to a sound, efficient basis of assessment, one that he can understand, one that inspires confidence. We must have good assessment practice and procedures if the tax burden is to be distributed as equitably as possible.

Today, good assessment practice is hampered by an Assessment Act that needs both revision and clarification; by a lack of trained full-time, professional assessors and by a lack of research and guidance facilities that should be available to all assessors.

(a) The Assessment Act

We feel that the basic features of the Assessment Act are still sound but the anomalies and artificial concepts that have crept in over the years, must be eliminated. It is only fair to say that many of the artificial concepts are not authorized by the present Act - but they are not prohibited.

(i) The Act states that land shall be assessed at 'its actual value'. It is safe to say that at the present time in this province there are at least a hundred different interpretations of 'its actual value'. We feel that it is essential to establish a more realistic, specific basis. We suggest that 80% of current value would be both realistic and specific.

(ii) The Act does not specify that there must be equity of assessment within the municipality. It relies on the premise that if all property is assessed at its actual value there will be equity, but with the numerous interpretations of actual value, the equity aspect disappears. The

Act should be amended to include a specific provision requiring equity of assessment.

(iii) The statutory requirement to consider 'present use' when assessing land has led to gross distortions in the land assessment patterns of a number of municipalities. 'Present use' has been used sometimes as an excuse to assess a residentially used lot in an industrial area at 20% of the assessment of adjoining industrially used lots of identical size.

(iv) In theory, the Act requires a new assessment to be made each year. In practice, the assessed values are copied from one year's roll to the next with few, if any, changes (except for new or demolished buildings). This approach is understandable both politically and administratively. Councils resent the turmoil created by frequent changes in assessment and are worried about the impact of such changes on their shared costs, (e.g. county levies) and provincial grants. Assessors are also practical people who feel that the benefits to be gained do not justify the expense or the political repercussions resulting from annual changes.

We are inclined to agree, in part, with the assessors. We believe annual changes are unnecessary. On the other hand, we condemn the practice of repeating assessment rolls for 10 or more years without change. We feel that the basic level of values in a roll should remain in effect for a period of four years. At the end of that period there should be a provision in the Act to compel a re-assessment to adjust the value basis to the then current level.

(v) Section 54 of the Assessment Act provides for interim assessment of buildings which, after the return of the roll, are erected, altered or enlarged and are occupied or fit for occupancy during the tax year. This Section is designed to empower the clerk of the municipality to add to the assessment roll, the value or the increase in value of the buildings so erected, altered or enlarged during the taxation year. Unfortunately, no reciprocal provision exists in the Act to provide for a reduction in assessment or taxes in cases where a building is partly demolished or partially destroyed by some cause and the affected portion unfit for occupancy, or is altered so as to have a lower value, after the assessment roll has been returned. Section 131, (1) (d) might appear to provide such relief, but this has been denied by the Ontario Court of Appeal. In a recent case in point between the Crown Life Insurance Company and the Corporation of the City of Toronto, the Ontario Court of Appeal decided by judgement rendered on September 18, 1962 that subsection (1) (d) of Section 131 provides no relief unless the building was <u>wholly</u> demolished, <u>wholly</u> razed by fire, etc.

(vi) Another inequity arises in connection with the latitude a municipality has for returning the assessment roll or rolls. This came to light with the Crown Life Insurance Company appeal referred to above. Its building, located on the north side of Bloor Street in Ward 2, Toronto was assessed for 1962 taxes about February 26, 1961 and the assessment roll was returned as of that date, with appeals required to be filed within 10 days of that date.

An appeal against this assessment was filed because arrangements were already made to remove the partitions and other installations and restore the two floors leased in the building to their original condition by late April 1961. This appeal was denied on the ground that, as of the date the roll was returned, these installations actually existed and were deemed a proper part of the building.

Had the Crown Life Building been located directly across the street in Ward 4, the roll would have been returnable on June 30, 1961. Consequently, the property owner, in the above situation, would have had his building clear of such installations well before June 30 and could, no doubt, have succeeded in an appeal. It is submitted that, to be fair to all taxpayers in a municipality, there should be a single date for the return of all rolls, and that this date should be in the autumn of the year, say, no earlier than September 30, so that property owners will not be unfairly penalized, as in the above case. Several municipalities already follow this practice. They send out their assessment notices weeks or months earlier but the roll is returned as of September 30 and appeals may be filed within 14 days of such date.

(b) Personnel

The vast sum raised by means of the property and business taxes demands the use of full time, qualified assessing personnel. The Institute of Municipal Assessors has done and is doing a good job of educating assessors. We feel that the course offered by the Institute should be lengthened to five years (the present term is three years) and improved by the inclusion of material on economics, financial accounting and political science.

It would be desirable, at some future time, to ask the universities to offer lectures and, perhaps, courses on various aspects of assessment work.

The provincial government might consider the licencing of assessors so that in the not too distant future the post of assessor can be restricted to only qualified individuals.

As with every educational programme we must protect the incentive to learn and think. We would dislike to see any attempt made to stifle the initiative or imagination of the more thoughtful assessor. We would deplore the imposition of any rigid rules that might reduce the quality of assessment practice throughout the province to the lowest common level.

(c) Research and Guidance

Once having established a corps of trained personnel we must provide them with the proper tools. Sales analyses, sales/assessment ratio studies and similar general research projects can be completed by individual assessors. On the other hand, cost studies, construction method/cost effect studies and other highly detailed projects are beyond the capabilities of all but the assessment departments of a few of the largest cities. We do not wish to imply that such studies are beyond the abilities of trained assessors in the small municipalities. But, as a matter of economics, a small department cannot afford to have its staff spend the time necessary to accumulate cost data about one building, make analyses of another and still carry on with its many other tasks.

Therefore, the Province should either establish a Research Section in the Assessment Branch of the Department of Municipal Affairs or should subsidize the Institute of Municipal Assessors so that it can create a Research Section. The function of such a Section would be to:

1. Provide cost data of general interest.

2. Answer specific cost or cost analyses questions from assessors.

3. Make studies of economic problems as they affect assessors.

4. Generally assist assessors.

(d) Recommendations

We recommend the adoption of the following proposals designed to improve assessment practice in Ontario:

(1) The Assessment Act should be revised to remove anomalies and artificial concepts and, without restricting the foregoing, should include the following provisions:

(i) Assessors should be required to assess on a prescribed, more realistic basis. (e.g. 80% of current value).

(ii) The value level, once established, should remain in effect for four years. (Annual rolls should continue to be returned so that additions and deletions to property can be recorded. The right of appeal should also be continued on an annual basis.)

(iii) Land should be assessed at its current value. (The factors e.g. present use, location, etc. that must be considered, should be either eliminated or made permissive).

(iv) A Section requiring equity of assessment.

(v) A uniform date for the return of all assessment rolls throughout the province.

(vi) A reciprocal provision for a reduction in assessment or taxes in cases where a building is only partly demolished or razed after the return of the roll.

(2) The use of full time, trained, professional assessors should be encouraged. To achieve this we believe -

(i) The course of study of the Institute of Municipal Assessors should be lengthened and broadened in scope.

(ii) The tenure of office for assessors should, with the proper safeguards, be made more secure.

(iii) The province should undertake the licensing of assessors. (With graduation from the Institute's course as a prerequisite.)

(iv) The employment of licensed assessors should be made mandatory as soon as practicable.

(3) That assessors must have available to them substantial research and guidance facilities either through the Institute of Assessors or the Assessment Branch of the Department of Municipal Affairs.

3. Province Wide Equalization of Assessment

This province has now reached the stage where a sizeable portion of its revenue is distributed among the local governments through a complex system of conditional and unconditional grants. We believe that the province should either adopt a redistribution of fiscal responsibilities or simplify both the system and basis for grants. With either alternative, the crux of the problem is still - how do you measure the relative ability of local municipalities to finance some or all of their needs from their own resources? Per capita grants, percentage of cost grants and other methods fail to take into consideration the relative financial resources of local municipalities.

It is our belief that a province-wide equalization of assessment is the best basis for determining the relative needs for assistance of various municipalities because there is no better way to compare the relative local financial resources.

Recommendation

We feel that equalization can be achieved most effectively by means of a Provincial Assessment Equalization Commission organized in such a way as to keep interference with local autonomy at a minimum and to prevent the quality of assessment practice being reduced to the lowest common level. We suggest that this latter aspect is so important

that we cannot subscribe to the mandatory use of a single assessment manual across the whole province. However, the suggested Equalization Commission should have the authority to demand all the information it requires to analyse and equalize assessment on a province-wide basis.

4. Municipal Business Assessment and Taxation

The present provisions of the business assessment Sections of the Assessment Act are practically the same as those imposed some sixty years ago. They were designed to replace the personal property assessment with a system which reflected the then relative profitability of various types of business. We agree that the elimination of the personal property tax was and is a sound concept.

But, despite economic changes since 1903, the business assessment rates for almost all classes of business have remained virtually unchanged even though the income tax as we know it today was then virtually non-existant, and the property tax burden on the manufacturer was so light that it was hardly a factor in his business decisions. Today, with a top corporate income tax rate of 52%, virtually every business decision must reflect the tax impact, while ever mounting municipal taxes (unrelated to profits) constitute an increasing source of worry.

A substantial portion of provincial revenues is derived directly or indirectly from business income taxes. Since the province is already giving substantial assistance to municipalities from its revenues (including these income taxes), there is little doubt that municipalities are participating in business income taxes. We feel that this feature destroys the need for a municipal business assessment system that attempts to reflect the relative profitability of various types of business.

The term 'business tax' is misleading. Admittedly, business pays the tax but the tax bears no relationship to the ultimate goal of business-profit. Nor can the tax be

justified on the grounds that the municipality provides additional service over and above that afforded residential properties. Indeed, the reverse is true. Manufacturers rarely receive service to the extent of their property taxes, let alone property taxes plus business tax.

For the foregoing reasons, we suggest the time has arrived to consider the elimination of the business assessment.

5. Differential Mill-Rates

In 1957, a new trend in municipal taxation developed in the Province with the introduction of differential mill-rates. Where all classes of property owners had previously paid property taxes at a standard rate, the differential feature imposed a relatively heavier mill-rate on industrial and commercial property owners. Since its introduction, the trend has been intensified.

The differential was established by an amendment to the Unconditional Grants Act which provided that the proceeds from the Unconditional Grant paid to each municipality in the province, was to be applied so as to reduce the levy against residential and farm but not industrial and commercial ratepayers. A differential was thus opened up in the mill-rate charges between the classes of property owners, equal to the amount of the grant. Four years later, in 1961, the Residential and Farm Tax Assistance Grants Act, with later amendments, established a further differential. The Act provided that by 1963, there should be a 10% differential between the public and secondary and separate school mill-rates levied against residential and farm, and the industrial and commercial taxpayers.

In the space of six years, the differential between rates paid by industrial and commercial taxpayers and residential and farm taxpayers has steadily increased. In the current year, industrial and commercial public school supporters in the five largest municipalities of the province

are paying an average 7.4 mills more than residential and farm taxpayers.

What justification is there for imposing on one class of property owner a heavier relative burden of municipal taxation than others? It is said that because considerable shifting of the tax is usually possible, its effects are negligible. But these are over-simplifications which disregard the inequity of such taxation and its adverse effect on the 'tax climate' of the province. Unless it can be shown that municipal expenditures are any greater in respect to industrial and commercial properties than other types, a disproportionate burden of taxation is inequitable. Before a higher rate of municipal taxes can be justified for industrial and commercial taxpayers, it must, we submit, be shown that those taxpayers consume more in municipal services than they contribute.

6. Reorganizing the Municipal Structure

Local governments form the roots of democracy. We must nourish and protect these roots. Therefore, local residents through local councils, etc., should, broadly speaking, make local decisions about local problems.

Unfortunately, the multiplicity of municipal governments and school boards hampers both the efficiency and effectiveness of carrying out the wishes of the local residents. Geographically, most of Ontario was frozen into a pattern of counties, districts, townships, towns, villages and cities many years ago. Politically, the inter-relationship between these units (with the exception of districts and cities) was established about a hundred years ago. Economically, this province has undergone a complete change in the past hundred years. We feel that it is now time for geography and politics to be brought into line with economics.

Boundary lines should be changed, the continued existence of some units should be questioned, the political inter-relationship should be re-examined.

We envisage a re-drafting of municipal boundary lines and political inter-relationships to incorporate the following views and philosophy.

1. Urban problems should be dealt with by urban councils - rural problems by rural councils.
2. Counties as combinations of urban and rural municipalities should be dissolved.
3. The basic rural unit should be the county. The township as a political unit should be abolished. The county should include all rural areas and hamlets of less than, say, 1,500 population. It should not include any cities, towns or villages with population in excess of 1,500. (All municipalities of less than 1,500 population should be dissolved.) The county should be large enough to support a full-time staff of officials (i.e. in terms of population and assessment).
4. County boundary lines should be re-drawn so that they reflect the relationship between the rural districts and the urban centres where rural people obtain so many of their commercial goods and services.
5. The boundary lines for municipal and school units should be made conterminous.
6. Areas of counties adjacent to urban centres should be designated as 'Development Areas' in successive stages. As the density of urban use reached 65% in each area it should automatically be annexed to the urban centre.
7. The kind of programme suggested by (6) will require regional planning. Therefore, we recommend the establishment of Regional Planning Boards embracing one or more reorganized counties and all the cities, towns and villages within their boundary or boundaries.

The end result would be to reduce the present 979 municipalities and over 3,500 school boards to approximately300 of each. We believe that this number is adequate to protect both 'grass roots' democracy and local autonomy. At the same time it will afford the local residents a more effective and efficient form of government.

GENERAL SUMMARY

We are the first to admit that we do not have the facilities available to make the detailed studies essential to solving the many complex municipal problems. We have, however, devoted considerable thought to the reorganization of the municipal fiscal structure. As a result, we are making suggestions in the form of recommendations that are both fundamental and may even be considered radical, in the hope that these will stimulate research and study by your Committee.

The Association would be pleased to support the views expressed in this submission by oral representations before your Committee and can assure you of its desire to co-operate in the important task which confronts you.

Yours very truly,

W. HUGH FLYNN
Chairman, Ontario Division
Taxation Committee

D. G. WILLMOT
Chairman, Ontario Division

THE CANADIAN MANUFACTURERS' ASSOCIATION